

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)

LAIE WATER COMPANY, INC. )

DOCKET NO. 2006-0502

For Approval of a Rate Increase )  
Pursuant to Hawaii Revised )  
Statutes § 269-16; and Revised )  
Rate Schedules. )  

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ORDER NO. 23263

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DIV. OF CONSUMER ADVOCACY  
DEPT. OF COMMERCE AND  
CONSUMER AFFAIRS  
STATE OF HAWAII

Filed Feb. 15, 2007

At 11 o'clock A.M.

Karen Higashi  
Chief Clerk of the Commission

ATTEST: A True Copy  
KAREN HIGASHI  
Chief Clerk, Public Utilities  
Commission, State of Hawaii.

Karen Higashi

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Docket No. 2006-0502

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ORDER

By this Order, the commission approves LAIE WATER COMPANY, INC.'s ("LWC") request to submit its unaudited financial statements in lieu of an audited balance sheet, required under Hawaii Administrative Rules ("HAR") § 6-61-75(b)(1), provided that Applicant make available for review all documentation supporting its financial statements.<sup>1</sup> The commission also finds that LWC's application is complete and properly filed under HRS § 269-16(f) and HAR § 6-61-88.<sup>2</sup> Thus, the filing date of LWC's completed Application is December 29, 2006. Finally, the commission instructs the Parties to file a stipulated procedural schedule for the commission's review and approval, within thirty days from the date of this Order. If the Parties are unable to

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<sup>1</sup>The DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), is an ex officio party to this proceeding pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and HAR § 6-61-62. LWC and the Consumer Advocate are hereafter jointly referred to as the "Parties."

<sup>2</sup>LWC's Application, Exhibits LWC 1 - LWC 10, LWC T-100 - LWC T-200, Verification, and Certificate of Service, filed on December 29, 2006 ("Application"). Copies of the Application were served on the Consumer Advocate.

stipulate to a procedural schedule, the commission will issue its own procedural order that complies with the time requirements of HRS § 269-16(f)(3).

I.

Background

LWC is a public utility that provides water utility services, including the gathering, storage, transmission, distribution, and other provision of water, within its authorized service area in Laie, on the island of Oahu, Hawaii.<sup>3</sup>

On December 29, 2006, LWC filed its Application, requesting approval of a rate increase and revised rate schedules and rules. Specifically, LWC requests commission approval of a general rate increase of approximately \$1,522,089, which amounts to an approximate 198.0% increase over pro forma revenues at present rates, and is based on an estimated total revenue requirement of \$2,290,723 for the 2007 calendar test year. LWC also seeks to implement: an additional intermediary rate block for residential customers; a new rate structure with four rate blocks for commercial customers; an increase in fixed monthly and usage charges for both residential and commercial customers; and an Automatic Power Cost Adjustment Clause, which will allow LWC to increase or decrease its water service rates based on any corresponding increase or decrease in LWC's cost for electricity.

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<sup>3</sup>LWC was granted a certificate of public convenience and necessity in Decision and Order No. 15642, filed on June 12, 1997, as amended by Order No. 15478, filed on August 11, 1997, in Docket No. 7830.

Furthermore, LWC requests, pursuant to HAR § 6-61-92, that its unaudited financial statements, submitted with its Application, be accepted in lieu of audited financial statements as required under HAR § 6-61-75(b)(1) ("Waiver Request").

On January 19, 2007, the Consumer Advocate filed its Statement of Position Regarding Completeness of Application ("Statement Regarding Completeness"), stating that it does not object to the completeness of LWC's Application.

## II.

### Discussion

LWC is a public utility with annual gross operating revenues of less than \$2 million. As such, LWC filed its Application under HAR § 6-61-88 (Requirements for General Rate Increase Applications by a Public Utility with Annual Gross Operating Revenues of Less than \$2,000,000) and HRS § 269-16(f). Under HRS § 269-16(f), the commission must make every effort to issue its proposed decision and order within six months from the filing date of LWC's completed Application, "provided that all parties to the proceeding strictly comply with the procedural schedule established by the commission and no person is permitted to intervene." HRS § 269-16(f)(3).

### A.

#### Waiver Request

HAR Chapter 6-61, Subchapter 8, governs rate increase applications and tariff changes. In relevant part, HAR § 6-61-86

requires a public utility requesting authority to change its rate, schedule, or charge to file an application, and a financial statement under HAR § 6-61-75. HAR § 6-61-75(b)(1) requires that financial statements be accompanied by "[a]n audited balance sheet, including any pertinent notations and explanations contained therein, as of the end of the last calendar year[.]" HAR § 6-61-75(b)(1).

Under HAR § 6-61-92, the commission may modify the requirements of Subchapter 8, HAR Chapter 6-61, in its discretion, if the requirements of the subchapter would impose a financial hardship on the applicant or be unjust or unreasonable. Further, under HRS § 269-16(f), the commission is authorized to amend its rules and procedures "to provide the commission with sufficient facts necessary to determine the reasonableness of the proposed rates without unduly burdening the utility company and its customers." HRS § 269-16(f).

LWC requests, pursuant to HAR § 6-61-92, that its unaudited financial statements (submitted with its Application as Exhibit LWC 2), be accepted in lieu of audited financial statements as required by HAR § 6-61-75(b)(1). It contends that as a small utility with annual revenues "substantially" less than \$2 million, LWC does not have audited financial reports and that compliance with the requirement would: (1) delay the filing of the Application; and (2) unjustly impose on LWC additional financial burdens.<sup>4</sup>

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<sup>4</sup>Application, at 10.

The Consumer Advocate does not object to approval of LWC's Waiver Request, provided that LWC makes available for review all documentation supporting its test year projections.<sup>5</sup>

The commission finds that the requirement for LWC to submit an audited balance sheet pursuant to HAR § 6-61-75(b)(1) appears unduly burdensome, and thus, is unjust and unreasonable in this instance. Accordingly, the commission finds good cause to approve LWC's Waiver Request, subject to the Consumer Advocate's proposed condition.

B.

Completed Application

Upon review, the commission finds that LWC's Application is complete and properly filed under HRS § 269-16(f) and HAR § 6-61-88, and therefore, concurs with the Consumer Advocate's assessment regarding the completeness of the Application. Accordingly, the filing date of LWC's completed Application is December 29, 2006.

C.

Stipulated Procedural Order

The commission interprets HRS § 269-16(f)(3) to require the commission to issue a procedural order that allows the commission to complete its review within the six-month period prescribed in HRS § 269-16(f)(3). Given the six-month deadline governing the commission's issuance of its Proposed Decision and

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<sup>5</sup>Consumer Advocate's Statement Regarding Completeness, at 3.

Order, the Parties shall: (1) initiate the discovery process forthwith; and (2) submit a stipulated procedural schedule setting forth the issues, procedural schedule, and procedures to govern LWC's Application, within thirty (30) days from the date of this Order.<sup>6</sup> The stipulated procedural schedule to be submitted by the Parties shall, at a minimum, provide that: (1) LWC's rebuttal testimony (or rebuttal statement of position), if any, be filed by Friday, June 8, 2007; and (2) the Parties' joint settlement agreement, if any, be filed by Friday, June 15, 2007, in order for the commission to reasonably meet the six-month deadline of June 29, 2007. If the Parties are unable to agree on a procedural schedule, as prescribed, the commission will issue its own procedural order in accordance with HRS § 269-16(f)(3).

### III.

#### Orders

##### THE COMMISSION ORDERS:

1. LWC's request to submit its unaudited financial statements in lieu of an audited balance sheet, required under HAR § 6-61-75(b)(1), is approved; provided that LWC make available for review all documentation supporting its financial statements, including all accounting books and records, to the commission and the Consumer Advocate.

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<sup>6</sup>If intervenor or participant status is later granted to any interested person, the commission, in its discretion, may amend any stipulated procedural schedule approved by the commission, if necessary.

2. The filing date of LWC's completed Application is December 29, 2006.

3. The Parties shall: (a) initiate the discovery process without delay; and (b) within thirty days from the date of this Order, submit to the commission a stipulated procedural schedule, incorporating their agreed upon schedule with respect to this proceeding. The deadlines in the stipulated procedural schedule must be based upon the commission completing its deliberations in this case by June 29, 2007. To this end, the deadline for LWC to submit a Rebuttal Testimony or Statement of Position, if any, must be no later than June 8, 2007; and the deadline for the Parties to submit a joint settlement letter, if any, must be no later than June 15, 2007.

4. If the Parties are unable to stipulate to such a schedule, the commission will issue its own procedural order that complies with the time requirements of HRS § 269-16(f)(3).

DONE at Honolulu, Hawaii FEB 15 2007.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By Carlito P. Caliboso  
Carlito P. Caliboso, Chairman

By John E. Cole  
John E. Cole, Commissioner

APPROVED AS TO FORM:

Kaiulani Kidani Shinsato  
Kaiulani Kidani Shinsato  
Commission Counsel

2006-0502.ah



CERTIFICATE OF SERVICE

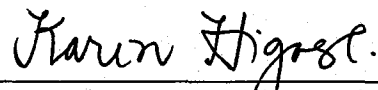
I hereby certify that I have on this date served a copy of the foregoing Order No. 23263 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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Karen Higashi

DATED: FEB 15 2007